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SUBJECT: ZAGREB WEEKLY REPORT - NOVEMBER 13, 2009

11. (SBU) KOSOR APPOINTS NEW ECON MINISTER; EXPANDS DEPUTY PM POSITIONS:

Croatian PM Kosor announced the appointment of Croatian Employer Association (HUP) Executive Director Duro Popijac as new Minister of Economy November on 13. PM Kosor also announced that Health Minister Darko Milinovic and Finance Minister Ivan Suker would be promoted to Deputy Prime Ministers in addition to their current positions, giving the 20-member government a total of five Deputy PMs. (COMMENT: Popijac's appointment as Minister of Economy is a clear indication that Kosor wants a non-partisan, business perspective to inform Croatia's economic policy. The elevation of Milinovic and Suker, both loyalists of the ruling HDZ party, appears to be a gesture by Kosor to the HDZ to reassure the party that it still forms the backbone of the government. END COMMENT) (TBULLOCK)

12. (U) GOVERNMENT SENDS BORDER DISPUTE ARBITRATION AGREEMENT TO PARLIAMENT:

Prime Minister Jadranka Kosor on Thursday November 12 sent to the Parliament a bill for the ratification of the Arbitration Agreement on the Croatian-Slovenian border dispute. Local media report that parliament will take up the bill next week. (More details septel) (DMEGES)

13. (U) FAA VISIT FINDS POSITIVE PROGRESS ON CIVIL AVIATION REFORM:

The FAA's regional representative visited Croatia November 5-6 for an informal visit to discuss Croatia's reform of its civil aviation oversight. He found that significant progress had been made in establishing a functioning and independent Civil Air Agency (CAA) -- the key area identified by the FAA's negative inspection findings in 2008. Two problems that are yet to be addressed fully are recruiting a complete staff of qualified pilots as inspectors, and creating a stable cash flow from airport fees and ticket surcharges to run the Civil Air Agency. The CAA informed the FAA rep that they planned to officially request a new FAA International Aviation Safety Assessment (IASA) for spring 2010 and will be preparing the invitation letter for the assessment team within the coming weeks. (DWESTFALL)

14. (U) FINANCE MINISTRY REPORTS GOOD NEWS ON BOND ISSUE:

Croatian State Secretary for Finance Zdravko Maric gave econoffs a very upbeat report on Croatia's recent sale of \$1.5 billion of GoC bonds in the United States. According to Maric, U.S investors responded positively to Slovenia's decision to unblock Croatia's EU accession negotiations as well as to the lack of Croatian bank closures during the economic crisis. making the Croatian bonds more attractive. Maric said the revenue from the bond sale will cover the GoC budget for fiscal year 2009 but that the Finance Ministry believes that another bond issuance will be necessary to cover proposed expenditures for the 2010 budget. (TBULLOCK)
FOLEY